

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning Energy  
Efficiency Rolling Portfolios, Policies, Planning,  
Evaluation, and Related Issues

Rulemaking 13-11-005  
(Filed November 14, 2013)

**RESPONSES OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) ON  
ADMINISTRATIVE LAW JUDGE'S RULING FOR COMMENTS ON ENERGY  
EFFICIENCY BASELINE WORKSHOP**

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Pursuant to the May 5, 2015 e-mail ruling and the May 19, 2015 *Administrative Law Judge’s Ruling Confirming Comment Process for (1) Staff White Paper on Energy Efficiency Rolling Portfolio Cycle Mechanics, and (2) April 28, 2015 Energy Efficiency Baseline Workshop* (Ruling), Southern California Gas Company (“SoCalGas”) hereby submits responses to questions posed in Rulemaking (R.) 13-11-005 relative to the Energy Efficiency Baseline Workshop held on April 28, 2015, in the above mentioned proceeding.

**I. INTRODUCTION**

On April 28, 2015, Administrative Law Judge (“ALJ”) Todd Edmister and the California Public Utilities Commission (Commission) Staff facilitated a workshop in response to Decision (D.) 14-10-046 which directed Commission Staff to work with the California Energy Commission (CEC) to study the appropriateness of using code or the existing baseline as the baseline in estimating project savings.<sup>1</sup> SoCalGas participated in the workshop by presenting its proposed To-Code pilot, which it was directed to implement by D.14-10-046, to help determine if programs could cost-effectively replace below-code equipment using “to and through code”

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<sup>1</sup> D.14-10-046, p. 73.

incentives, to inform Phase 3 of proceeding R.13-11-005.<sup>2</sup> SoCalGas appreciates the opportunity to participate in this critical topic that could have long lasting impacts on the expansion of energy efficiency in California.

## **II. SOCALGAS' RESPONSE TO QUESTIONS**

SoCalGas provides responses to the following questions.

### **A. Questions Regarding Definition and Goal**

*1. The measure characterization list presented by CPUC staff—and included in the CPUC white paper presentation—identifies the measures that will be covered in the Baseline Analysis, and how they should be characterized. This is intended as a starting point for discussion analysis rather than a decision on baseline.*

*Is the measure characterization list complete, or are there additional types of measures that may have uncaptured energy efficiency savings below code or ISP? Are they characterized accurately? What changes do you propose?*

After review of *Attachment B: Draft Deemed Measure Category Classification Table* as put together by Commission Staff, SoCalGas recommends the following:

- Add quality installation to commercial and residential sectors
- Add heat curtain and infrared film to the agricultural sector
- Add whole building to the residential and commercial sectors

SoCalGas acknowledges that whole building is typically characterized as a custom measure, but it warrants special consideration not captured on the list or in the presentation by Commission Staff on the upcoming Existing Conditions Baseline Whitepaper. As programs are becoming more comprehensive and enticing customers to consider whole building bundled measures, it is critical to add whole building to the research plan. Whole building programs, such as Home Upgrade and Advanced Home Upgrade, are prime examples where “to code”

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<sup>2</sup> D.14-10-046, OP #8.

measures are incentivized as part of a bundle that helps bring the entire project to an energy savings threshold. As codes and standards industry standard practices (ISPs) keep increasing, whole building approaches will encounter situations where measures may need to be removed from the suite of offerings. SoCalGas recommends that the whitepaper look into the appropriate baseline determination for whole building measures and allow parties to address the findings to inform Phase 3 of the proceeding.

*2. In your professional experience, what are the types of actions in the market place that lead to buildings/energy end uses failing to meet code or be upgraded to ISP, and what measures do not get adopted because of this? Please be specific and comprehensive, listing out all types of activities and correlated measures that you are aware of. Please identify the types of building that these experiences apply to, ie, Class A, B or C commercial; public or private buildings, types of commercial activity, vintage of buildings etc. For instance, what ways do contractors act to avoid “triggering code”?*

SoCalGas is limited in its view of the market place due to the small number of different types of measures that fall under cost effective gas equipment. However, SoCalGas believes that service warranties and contracts in the commercial water heating and boiler market delays retrofitting equipment to meet or exceed code. This is especially evident in the small to medium commercial sector such as restaurants, hotels, government offices, schools, laundry facilities, and office buildings. This does not mean that customers have failed to meet code but that they have chosen the option to repair rather than replace. If maintained and repaired correctly, commercial boilers can last 20 to 30 years or even longer. Other gas measures that can be maintained and kept in-service for significant periods also include furnaces and crucible furnaces. SoCalGas’ To-Code pilot will try to determine if additional “to code” incentives are enough to solicit customers to replace rather than repair.

*3. What specific information/data can you provide on the volume of deferred retrofits and retrofits that avoided code triggers or code compliance? In what types of buildings (as clarified above)? What evidence is there that these cases reflect norms of market activity rather than the exception?*

SoCalGas believes that its To-Code pilot will be able to provide more thorough answers to this question after the conclusion of the pilot and analyzing of the data has been completed. Though still in the development phase, SoCalGas' To-Code pilot will center on commercial hot water and space heating boilers in the small to medium commercial segment, where many customers are more inclined to repair and maintain their equipment rather than replace it with a code compliant or more efficient one. Some of the reasons why this occurs are (1) financial resources are allocated to other priorities, and (2) customers prefer the least expensive quick-fix option. SoCalGas considers these to be the fundamental reasons certain segments of the population need additional incentives to replace equipment that is below code. SoCalGas does not have quantitative data in the format required to provide an estimate of the volume of deferred retrofits of equipment in its service territory, and would require further time to evaluate whether such data could be meaningfully leveraged for such purposes. The perspectives presented here are based on SoCalGas' "on-the-ground" experiences and interactions with distributors, contractors, and customers.

Commission Staff is also contemplating conducting market studies using evaluation, measurement, and verification (EM&V) funds on commercial refrigeration, commercial HVAC, commercial plug-in lighting, and commercial boilers. Using these studies to gather data on deferred retrofit, and retrofits that avoided code compliance in these areas would be ideal and would be an added benefit. Information from these studies, along with the data from the To-Code pilots would be useful to inform the Commission during Phase 3 of the proceeding.

*4. How do the Commission and CEC's assumptions about the rate of turnover compare with your observations of the market? Please be comprehensive and specific (like above). What evidence/ data can you provide?*

SoCalGas does not have any quantitative data to provide at this time but is in the process of developing a whitepaper on water heating technologies in the coming months. SoCalGas hopes to use this, along with the data stored in internal databases, to augment its observations of customer behavior in its service territory.

*5. Equipment does burn out, and buildings do get retrofit, triggering code upgrades. Given this reality, coupled with the fact that federal and state Codes and Standards exist and set efficiency floors for replacement equipment and building renovations, how can the CPUC ensure that an existing conditions baseline will not provide customers incentives and credit utility programs for large amounts of savings that are already occurring anyway?*

SoCalGas hypothesis is that the To-Code pilots will show that for certain customer segments, the savings as alluded to in the question would not have occurred without the aid of incentive programs. As codes and standards keep rising, the financial benefits of maintaining and repairing equipment will outweigh the costs of retrofitting with code compliant (let alone above-code) equipment. SoCalGas recommends that the Commission allow certain customers, such as local governments and public schools, programs that would incentivize “to and through” code activity. The Commission has already deemed it reasonable to enact different treatment towards certain customer segments where there is alignment with policy objectives. Examples of this include:

- 85% Net to Gross (NTG) for Hard-to-Reach customers;
- 85% NTG for locational EE projects;

- 85% NTG for all K-12 and community colleges EE projects (Prop 39 and non-Prop 39 funded);
- Increase useful life to 30 years for K-12, community colleges and locational EE projects; and
- Increase customer incentives to 75% of incremental measure cost for K-12, community colleges, and locational EE projects.

The Commission has already considered that certain customers are at a disadvantage when being considered for EE funding given the current construct that California has in place. As a result, these customers have been awarded special considerations for program administrators to factor-in when deciding to fund a project. SoCalGas recommends that the Commission consider offering differing incentive structures for customers who are more than likely to delay retrofits with increasing codes and standards, and believes that programs can be structured accordingly. To wit, SoCalGas can apply screening techniques to aid in the determination of projects that would have resulted in a To-Code retrofit without program involvement. SoCalGas can share these screening criteria and refine them through collaboration with Commission Staff. SoCalGas recommends that the screening criteria and any associated procedures be customized to each program so that such a process does not deter or significantly delay customer involvement. SoCalGas is also working with Commission-appointed evaluation staff to address this through its design of its To-Code pilot, to show through differing incentive structures and randomized control trials the validity of this attribution.

### **III. CONCLUSION**

SoCalGas hereby respectfully submits these responses and looks forward to future workshops and interactions with the Commission on this topic.

DATED at Los Angeles, California, on this 28<sup>th</sup> day of May, 2015.

Respectfully submitted,

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